

NATIONAL COOPERATIVE BUSINESS ASSOCIATION

SEMI-ANNUAL GRANT REPORT

COOPERATIVE DEVELOPMENT PROGRAM:

**BUILDING LOCAL CAPACITY
(FAO-A-00-97-00014-00)**

Covering January 1 - May 31, 2001



**Completed for the Agency for International Development
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Cover Photo – 25th of September Cooperative in Niamalo, Mozambique, visited by the NCBA/CLUSA staff during the subregional meeting in March 2001

SEMI-ANNUAL COOPERATIVE DEVELOPMENT PROGRAM (CDP) REPORT
REPORT PERIOD January 1 - May 31, 2001

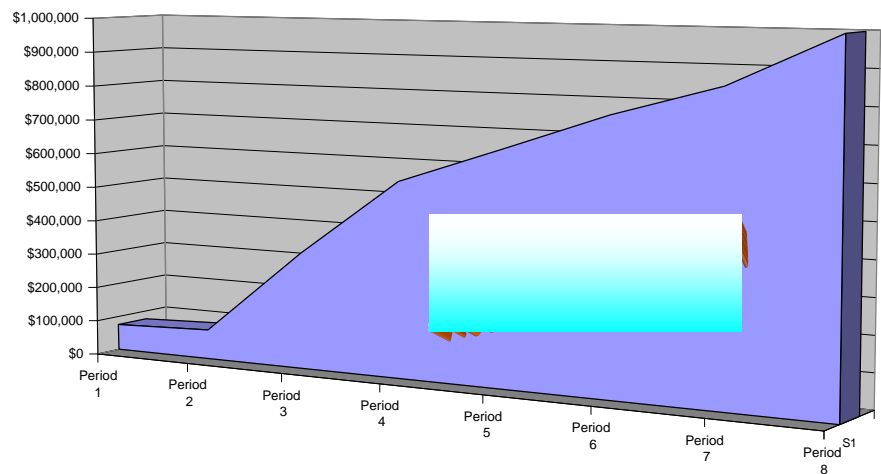
NATIONAL COOPERATIVE BUSINESS ASSOCIATION
BUILDING LOCAL CAPACITY
Cooperative Agreement No. FAO-A-00-97-00014-00

I. HIGHLIGHTS OF THE REPORTING PERIOD

- ? CDP-assisted PROEXSAL, the import/export cooperative in El Salvador, provided technical assistance to grower groups in Guatemala as well as El Salvador. It also purchased product directly from grower groups in Guatemala thus increasing its profit margin beyond the level it normally receives when purchasing from brokers and intermediaries.
- ? CLUSA de El Salvador played a major role in coordinating relief efforts for Salvadorian cooperatives affected by the two major earthquakes of January and February. Approximately \$50,000 was used to construct 12-foot square temporary houses costing \$145 each and for other emergency needs. CLUSA/US and CLUSA de El Salvador raised funds including contributions from Cooperative Development Foundation, Cooperative Housing Foundation and other sources.
- ? The 4 ICDOs assisted in Mali have signed over 80 grants and contracts for their training services. (Four of these were signed with NCBA/Mali shortly before the beginning of CDP assistance and are ongoing.) The ICDOs are playing a major role in test marketing of improved livestock, especially at newly established/improved border markets.
- ? POSDEV, the African ICDO membership organization, pursued a major focus on income generation and sustainability. It submitted project proposals to IFAD, the European Union and USAID.
- ? In Nicaragua, the dairy cooperatives assisted under the Cooperative Resources International (CRI) subgrant, have established 6 artificial insemination routes. CRI has restructured the financial charges for project services offered by the cooperatives which has increased the use of the services and will also facilitate the future absorption of the costs by the cooperatives.
- ? In Nicaragua, the CDP-assisted National Union of Farmers and Cattlemen (UNAG) completed its business plan that is now in use. Its subsidiary marketing company, AGRONEGSA, sold 37,000 lbs. of corn and bean seeds to 9 client businesses and individuals and secured \$110,000 in loans to facilitate its purchases of commodities from and payments to member farmers.
- ? NCBA/Washington organized an Africa Sub-Regional Meeting in March which reviewed strategies for the development of sustainable producer-owned marketing and trading

businesses and developed strategies to respond to the impact of HIV/AIDS on the clients of our programs.

- ? In South Africa the NCBA-assisted Business Creation and Training Unit (BCTU) of the Community Entrepreneurship and Business Initiative Program (CEBI) operating in the Motherwell Township of Port Elizabeth, has provided assistance to 8 startup businesses, provided startup business training to 66 owners of microbusinesses or people with business ideas and is operating a job referral system.
- ? CDP-assisted coffee producing cooperatives in Indonesia signed 30 new sales agreements, bringing the total number signed since the beginning of CDP assistance to 134 for a total export sales volume of \$4. 9 million. The cooperatives have committed \$761,000 to reserve capital.
- ? The focus of CDP work with cooperatives has been to get them to function more like private sector businesses, including the building of financial reserves. Over the course of the CDP Program, NCBA/CLUSA-assisted cooperatives have built up their accumulated reserve capital to almost \$1,000,000



II. FOCUS COUNTRY PROGRAMS

PROGRAM PURPOSE: To support the development of cooperative systems in Indonesia, El Salvador, Nicaragua, Mali and South Africa.

A. INDONESIA

Replication: NCBA completed the replication of these activities successfully implemented in South Sulawesi with one cooperative federation and two primary cooperatives in North Sumatera province. NCBA provided technical assistance in the construction design and in procurement of equipment and machinery for a cooperative coffee processing operation and provided managerial staff to train the operations personnel in general management, accounting and administration. Seasonal production operations started again in October, 2000 and have continued through May, 2001 Assistance was provided in the export of the fourth season's crop in Sulawesi and the second season's crop in North Sumatera.

Marketing- NCBA has assisted the cooperatives to develop major international markets for their coffee that ensures their sustainability as businesses. New market networks were established during the last year in both the US and Germany.



Cooperative coffee warehouse in South Sulawesi

A major project achievement of the last year occurred when the principal buyer of Sulawesi specialty coffee, a large US based specialty coffee chain, decided to procure all of its Sulawesi coffee from project-assisted cooperatives. This has necessitated a two-fold expansion of the Sulawesi project's drying, processing and storage facilities which was completed during the period.

This report period also saw the cumulative number of sales agreements since project start rise to 134 with a total volume sold of \$4.9 million.

The total amount of accumulated or reserve capital rose to \$761,000. The project has assisted the cooperatives to greatly increase the quality of coffee which has led the main US, Japanese, Australian and UK importers not only to buy the coffee again but to buy it at a price substantially higher than is paid for others in the market.

Indicators Matrix for PUSPETA LUWU: The matrix is attached as Annex I.

Problems- The major problems encountered during the reporting period related to the continual fall in the international price of coffee. The current levels of the New York "C" at \$0.59 cents/lb. are at their lowest level in decades. This hardly encourages farmers to fully maintain their existing holdings or plant more coffee. It also ends up providing them with less income than they received prior to the project. Fortunately, their ability to command premiums relative to the NY "C" has helped them weather the storm of low international prices.

B. EL SALVADOR

PROEXSAL Business Development- PROEXSAL continued to develop new local and regional vegetable and fruit producer groups. The main focus this period was on development of small-scale producer groups of Chimaltenango, Guatemala. Due to PROEXSAL assistance the groups were able to export \$18,285 of product during the reporting period.

CRS/Guatemala contracted PROEXSAL to train 25 small-scale producers of San Martin in production and marketing of fruits and vegetables. The total value of the contract is \$10,500.

These producers exported 18,000 lbs. of product (potatoes, lettuce, carrots, green beans, etc.) which were sold to clients serviced by PROEXSAL in El Salvador.

CLUSA de El Salvador Training and Technical Assistance- CLUSA de El Salvador trained producers being assisted by the IDB project in application of micro irrigation drip systems. Peace Corps/Honduras contracted CLUSA de El Salvador to conduct a workshop entitled, "Intensive Organic Coffee Production and Certification". 55 persons participated including small-scale coffee producers, Peace Corps volunteers and technicians from the Coffee Institute of Honduras. Assistance in promotion of use of its products was continued to HUISIL, S.A., a producer of organic certified fertilizers and insecticides. CLUSA de El Salvador is assisting ADISA (Association for the Development of the Agricultural Sector) reach an agreement with HUISIL to be its distributor in the Sonsonate and Ahuachapan departments. ADISA is a second level NGO that provides technical assistance in agricultural production, accessing production credit and marketing. Assistance in marketing of certified organic roasted and packed coffee was continued to Santa Adeliada, San Mauricio and El Espino Cooperatives.

Assistance Delivered by NCBA- assistance was provided in the following:

Revision of Quality Control Manuals for various fruits and vegetables

Training in quality control monitoring of fresh product in supermarkets

Training to increase the volume of products from Guatemala

Manuals in Fruit and Vegetables Production Cost Manuals were developed for CRS/Guatemala technicians and producer groups

Training to 425 cooperative board members and other producers in *The Cooperative as a Business, Agricultural Marketing and Strategic Planning*.

Training and technical assistance in organic vegetable and fruit production and marketing.

Technical assistance to the regional Representative of the Organic Crop Improvement

Association (OCIA) in the pre-certification inspection for organic certification of sesame

An accounting system was developed using Peach Tree software.

ADISA and Los Riyitos Cooperative were assisted in development of their strategic plans.

The Accounting Manual and accounting codes of Coordinator Group of Bajo Lempa were revised.

Indicators used to measure the improved performance of the ICDO. Matrix is attached for PROEXSAL as Annex II. The CLUSA de El Salvador matrix is attached as Annex III.

Work plan for June 1 – December 31, 2001.

PROEXSAL

- Provide periodic quality control evaluations on product being packed, processed and displayed in supermarkets.
- Identify new markets and provide market, trends and buyer information that will benefit PROEXSAL as well as the local or regional producer groups being assisted by it.
- Assist in contract negotiations when requested by PROEXSAL.
- Identify new sources of technical assistance and training that PROEXSAL can access to increase commodity flow through PROEXSAL and insure producer group diversification, development and strengthening

- Provide administrative support in all areas related to cost reduction and increased efficiency; continue the development of a profitability mentality
- Assess all organic certification requirements related to PROEXSAL and producer groups being assisted.

CLUSA de El Salvador

- Provide assistance in strategic planning, participative development, follow-up and evaluation of all projects
- Develop strategies for marketing CLUSA de El Salvador's services to the donor, NGO and private sectors
- Establish staff performance evaluations.
- Continue the development of a profitability mentality in the organization.

C. NICARAGUA

Summary of UNAG's Work during the Reporting Period- UNAG, which serves 35,000 families in all departments of the country, celebrated its 20th anniversary by sponsoring an independent evaluation of its past and present operations. The evaluation covered activities in all 17 departments and 119 cities of Nicaragua. It included a section on lessons learned which will be summarized in the next CDP report. 166 directors of the organization reviewed the evaluation and 1,500 people attended the anniversary celebration. In addition, UNAG completed a business plan that is now in use. Audits of the national office and the 17 departmental offices were completed with 15 of the 17 audits of the latter now finalized. UNAG is working on an improved accounting system that it plans to use throughout the organization. It is designed to assist the departmental offices to do better financial and project management. The latter is a priority of several of the departmental offices and is being encouraged by the national office. NCBA has helped UNAG develop a bottom up approach to determining members' priorities for lobbying, both internal and external.

Summary of Income-generating Business Activities of AGRONEGSA- AGRONEGSA sold 37,000 lbs. of corn and bean seeds to 9 clients who were businesses and individuals, for a total of \$16,650. 183 producers grew the seeds. The bean seeds were for black beans and were produced for export. 81 producers produced food commodities for consumption that were marketed through AGRONEGSA. Of the 264 producers participating with AGRONEGSA for this production cycle (1 of 3 during the year), 70% were men and 30% were women. AGRONEGSA secured loans of \$110,000 to facilitate its purchases from and payments to farmers. \$100,000 of this came from PROMESA, the USAID funded project that has as its objective the improvement of seeds produced and used in Nicaragua. The remainder came from FINAG. AGRONEGSA has 300,000 lbs. of seeds and 18,000 lbs. of food commodities collected and in storage, awaiting sale when prices are more favorable. AGRONEGSA has developed a business plan and an improved accounting system, both of which are in use.

Indicators Used to Measure Performance of the Organizations-The matrix for UNAG and AGRONEGSA is attached as Annex IV.

Work plan for June 1 - December 31, 2001

UNAG

- Continue to assist in development of strategic plan
- Provide inventory management training
- * Work with UNAG on development of its lobbying work plan
- * Assist in identification of lobbying priorities at national and departmental levels

AGRONEGSA

- Continue providing training in monitoring/control of administrative costs and cash flow
- Continue providing training in monitoring of income/expenses against projected financial plan
- Monitor operations for areas of/need improvement.

D. NICARAGUA: (CRI)

Program Results in the Field- CRI worked with 3 primary cooperatives in the Camoapa area, the major one being Cooperativa San Francisco. Six artificial insemination routes have been established. CRI assessed project impact and potential sustainability, personnel training and further project service development. Specific actions included the following:

- (1) implemented regular monthly milk production sampling and analysis by local project technicians of a representative sample of participating co-op members,
- (2) instituted recording of production data by local project technicians who use the Uniform Dairy Enterprise management software that the project has trained them to use. Producers will be charged a service fee for this data, beginning next reporting period.
- (3) restructured project financial support by switching of rates for services to per use/service fees. This means costs will more readily be integrated into local budgets at project phase-out. Costs have been reconciled to depreciation schedules.
- (4) shifted the focus of personnel training from project service management to business management. Data is now compiled for each of the six service routes to afford analysis of route efficiency and route income and expenses.
- (5) introduced hormonal therapy in precipitating estrus in project dairy herds. This increases conception rates and reduces artificial insemination service costs. Farmers are purchasing these treatments which cost approximately \$2.50 each.

What We have Learned From Experience
Production sampling and analysis: offers producers the technical data to become effective managers. Producers can begin to qualify and quantify their production methods and come to terms with ineffectual methods.
New usage fees: reflect maintenance, operation and depreciation costs on such items as motorcycles used on the operating routes.
Performance incentives: The base monthly salary for service technicians is to be reduced to a minimum standard based on average incomes and a per service or sales commission system begun.
Per service fees: for project inseminations on two of the routes has increased project participation

The main activities which have caused a profound impact, not only on the Cooperative members but also in the area, have been:

- the genetic improvement provided by the project, evidenced by the quality of the cattle born through the insemination program
- the opening of the Concentrates Plant which is supplying all area members and non-members with high quality concentrate mixes, prepared for different types of animals, according to the animals' specific nutritional needs
- the establishment of the grain plots at the Cooperative's farm site that will supply seeds for grains for concentrates for cattle feed in the future.
- sales by some farmers of their AI-produced calves at excellent prices.

The project is working with groups of farmers isolated from the main routes, to establish new "nucleus" areas where cooperative members or their employees can perform AI. Two new "nucleus" routes were established through Cooperativa Mosiguitos, serving 37 farms with 2,870 head of cattle. 8,447 cows were inseminated from the beginning of the project through May 31, 2001, with reported births of 3,089 calves from those inseminations (1,521 females and 1,525 males).

Use of Volunteers- In January, seven volunteers conducted training of producers and cooperative and credit union staff in basic economic analysis, farm accounting and reporting and milk production record maintenance. Partners of America-Wisconsin/Nicaragua Partners supported travel for five of the volunteers. Travel for two volunteers was provided by CDP. The volunteers assisted in taking a census of the local agriculture industry.

Some findings of the census:

The area's agricultural base is overcapitalized and its carrying capacity is overtaxed.

The cattle population is extensive with each cow having a little less than 2 acres of space compared to 5 in the US.

The land is heavily trafficked by extensive grazing. Cows forage at subsistence level.

With limited feed, the cattle are merely maintained and their productive potential unfulfilled.

One conclusion:

The survey reveals that increased incomes can only be realized by an approach of reducing herd populations and increasing milk yields.

Future Impact Potential- The potential exists to improve the genetic level of the cattle and provide better nutrition, both of which contribute to increased milk production and, therefore, increased farmer income and profitability. The technicians performing artificial inseminations report a good ratio between inseminations, pregnancies and births. The results in improved milk production can be measured by project's end when the cows born from these inseminations finish their first lactations. More immediate results, in increased milk production due to improved nutritional programs, can be measured as farmer-producers incorporate these management practices. While CRI has proffered this thesis since the project's inception, it must be adequately qualified and quantified.

The excess population of cows and underutilization of land will depress production levels irrespective of genetic improvements. Genetically improved cattle do not increase producer income through increased yields; they positively affect income through increased efficiency - through greater conversion rates yielding more milk per pound of feed or acre of land. They raise incomes by reducing costs.

The impact potential for the participating cooperatives in this project is two-fold. CRI proposes to reduce costs and to effect economies of scale by the end of this project year. The cutting of costs in project activities will be directed by performance analysis. Technology transfers are expected to increase the productivity of each available worker and spread those costs over an increased client base. The cooperatives will thereby reduce operating costs and pass the savings onto farmers- reducing their costs in turn. The impact potential for recipient producers lies in controlling production costs. The project will provide farmers information on optimal herd size and which animals are performing poorly so that they can make decisions on culling.

Indicators Matrix for Subgrant. The matrix is attached as Annex X.

Work plan for June 1 – December 31, 2001.

- Incorporate extra semen costs, to be covered by participating members
- Continue ear tagging of AI project heifers
- Participate in activities that enhance awareness of CRI development activities
- Prepare proposals to obtain additional funds for new and existing projects
- Follow-up on activities being carried out
- Coordinate funded programs
- Ensure appropriate timeliness on filing of reports
- Prepare budgets for the International Development Department

E. MALI

Summary of ICDOs' Work During the Reporting Period- INEGEF assisted 109 client organizations directly. It assisted 3 of the specialized groups in preparation of action plans. It also provided orientation to community organizations in the Koulikoro Region for their field activities in cooperative management. Field personnel were redeployed and new rural enterprises in the fields of livestock, health and cereals marketing were identified for assistance. INAGEF assisted the newly formed Association for the Development of Rural Communes to organize and conduct a campaign to educate rural populations on decentralization, including taxes they owe and their use. In one commune approximately 50% of taxes owed were collected during the reporting period. In the same commune INAGEF training enabled representatives of drivers, local administrative authorities and the transport syndicate to negotiate a major dispute involving a proposed surcharge on drivers which was ultimately defeated.

A.CO.D. assisted five livestock cooperatives to develop their work plans; trained in how to prepare marketing plans that facilitated the sale of 188 head of cattle; assisted to establish 10 vegetable producer groups in 6 villages in Sikasso.; trained six community health associations (ASACOs) diversification of revenue sources for supporting health care costs.

SABA assisted NCBA/Mali in the creation of the Society for Management of Border Markets, SOGEMAF, which is the first organization of livestock tradespeople at the national level; educated members of SOGEFAM on the problems of faulty market buildings, lack of producer marketing skills, difficulties of flow of cattle products to international terminal markets, weak competitiveness of the Malian livestock products, etc. resulting in some 200+ actions to resolve these problems.

Income-generating Business Linkages- INAGEF signed a new subcontract with NCBA to assist in democracy and governance work in Mali. A.CO.D. diversified its partners. New partners include Helen Keller International, CARE International and the Center for Agro-enterprise (CAE). For CARE it is providing assistance to the Community Health Association of Macina. For CAE it is doing test marketing of quality livestock and organization of vegetable producers. Other long-term partners include HELVETAS, a Swiss NGO, and CECI, a Canadian NGO.

SABA submitted two proposals for work on this project. SABA was asked by Chemonics International and the Center for Agro-enterprise (CAE) to perform regular tests of the marketing of quality livestock in the Mopti Region. The tests are now underway. SABA submitted a proposal to CARE to provide training and counsel to community organizations in the Macina area in health, education and income-generation.

G.FORCE signed two contracts, one with the Center for Agro-enterprise (CAE) for assistance to the Livestock Traders Cooperative of Segou in the test marketing of animal quality. The second contract was with Intercooperation of Switzerland for assistance to women's associations in promotion of sales of their shea butter.

Indicators Matrices for A.C.O.D, SABA, G.FORCE and INAGEF. See Annexes V - VIII.

Work plan for NCBA assistance to ICDOs in Mali, June 1- December 31, 2001

- Continue technical assistance to ICDOs in strategic planning
- Consultancy of approximately 6 weeks to work with ICDOs on refinement/modification of approach used; shorten training period; prepare business plans; focus more intensively on business deals/economic development, especially in cattle marketing, generic drug importation and distribution and input supply and crop marketing.

F. PAN AFRICAN ORGANIZATION FOR SUSTAINABLE DEVELOPMENT,

Services to Members- POSDEV designed two innovative programs using cooperatives in key districts in Ghana in pilot activities in decentralization and good governance. With additional funding, POSDEV plans to replicate these programs in other countries where POSDEV has members.

The POSDEV Executive Committee officially endorsed the organization's policy document during its meeting in April. Members undertook a strategic planning exercise for the year based on the 2001 benchmarks. POSDEV submitted a request to the Commonwealth Foundation of UK which is considering providing a grant to POSDEV for a capacity building workshop for member organizations.

The POSDEV Coordinator made a monitoring visit to the fisheries project in Mozambique that it is jointly assisting with ZATONA, its member ICDO in Sao Tome/Principe. The Artisanal Institute of Fisheries of Mozambique funds the \$73,000 project with funds provided by IFAD. POSDEV's role is to provide technical advice, monitoring and reporting. As a result of the visit OLIPA, the new Mozambique NGO which has grown out of the NCBA-assisted Rural Group Business project, has expressed a desire to join POSDEV. OLIPA is the third organization assisting the Mozambique fisheries project.

POSDEV Income-generating Activities- POSDEV's thirteen member ICDOs make annual contributions for the operations of the POSDEV Secretariat. Some allocate a specific percentage of funds earned from contracts with donors to POSDEV operations. POSDEV undertakes fee for service contracts, using its member organizations, and implements program components for donor NGOs in African countries for which it charges an overhead. POSDEV also offers its services to donors to coordinate regional programs as a method to earn income. IFAD funded a POSDEV evaluation of IFAD operations in Ghana. POSDEV has completed 3 contracts with IFAD, Christian Aid of Britain and FAO. The total value of POSDEV contracts signed with donors to supply services to date is \$130,000.

Following are the proposals submitted by POSDEV during the reporting period which are being reviewed by donor organizations. The cumulative budget amount for the proposals submitted is \$957,501: (1) Proposal to EU to implement a pilot democracy and governance project in Ghana entitled Local Level Good Governance through Support to Rural Producer and Micro-enterprise Groups and Local Authorities. The program aims to develop the culture of accountability among local government personnel while simultaneously training civil society organizations to demand that accountability. The proposed budget is for US\$339,330. (2) Proposal to IFAD for funding for an advocacy and policy analysis pilot program for Mali, Niger and Ghana for one year for approximately \$100,000. (3) 3 unsolicited proposals were presented to USAID/Ghana in the following fields: institutional development framework; program for building the capacities of member organizations; building sustainable civil society involving policy analysis and advocacy for local development.

Indicators Matrix for POSDEV- The matrix is attached as Annex IX.

Work plan for NCBA Assistance to POSDEV June 1- December 31, 2001.

- Work with POSDEV Secretariat on establishment of National Advisory Committee on Civil Society Organizations under the GAIT project
- Work with POSDEV on getting support for GAIT from government authorities at highest levels
- Work with POSDEV to raise awareness of GAIT among national level umbrella organizations of participating civil society organizations
- work with POSDEV to strengthen relationships between grassroots members and their national umbrella organizations.

G. SOUTH AFRICA

NCBA works with the Cooperative Housing Foundation (CHF) and Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) to implement the **Community Entrepreneurship and Business Initiative Program (CEBI)** in two townships in the Port Elizabeth area. NCBA is responsible for the **Business Creation and Training Unit (BCTU)**.

Marketing and Linkages- The BCTU is creating new business opportunities for entrepreneurs in the service and manufacturing sectors. The Unit has identified 8 viable businesses and is assisting them with training programs, business and financial advice, marketing and linkages. The businesses cover a range of activities from a recycling center to a computer center and cell phone company as well as a window and doorframes business and others. BCTU is giving assistance to another 7 start-up businesses. Linkages have recently been created with 7 businesses and governmental departments who have expressed interest in purchasing the services of BCTU assisted businesses. These are in addition to 11 companies that had earlier declared their intention to work with CEBI.

Training- The Unit's specialized training to existing businesses includes: increasing sales, decreasing costs, pricing, marketing and business planning. The BCTU also brokers training in business plans, taxation of small businesses, and labor law.

Job Referral System (JRS)- The system has been established, including database, CEBI responsibilities, and screening and training of clients on the database. Types of referral jobs include grass cutting, pool cleaning, babysitting, photography, crafts, flower arranging.

Challenge to be resolved

Clients referred through the JRS have been fired by customers for stealing and poor work habits such as lack of reliability and dishonesty.

These pose serious obstacles to the success of the JRS and BCTU is working on solutions

General- CEBI is working with the Motherwell Tourism Committee, Port Elizabeth Parks Board and Swartkops

Trust to establish Xhosa Village out Motherwell that is on the road to the Addo Elephant Park. Over 200,000 people drive past Motherwell to Addo on an annual basis. The proposal for a tourism village was first formulated in '97 and has met various obstacles. CEBI is playing an advisory role with BCTU organizing discussions of key people and providing information on proposal formulation. A catalogue is being created featuring Motherwell crafts which can be marketed to businesses. The BCTU Manager is contacting local craftspeople concerning production of crafts that will be useful to businesses as gifts.

III. BUILDING CDO CAPACITY

PROGRAM PURPOSE: To strengthen the capabilities of U.S. cooperative development organizations (CDOs) to support international development on a sustainable basis.

A. NCBA

1. SUBREGIONAL MEETING

In this semiannual report, we are focus on two issues that were discussed at the Subregional meeting NCBA/CLUSA held in March 2001. Several issues were presented which were designed to address the topic of how NCBA/CLUSA strengthens its own capability to support international cooperative development. A full report is available upon request.

The Africa Sub-Regional Meeting was held in Nampula, Mozambique March 26- 29. The third meeting of this nature held by CLUSA in the last decade, the main purpose of the Nampula meeting was to bring together staff from CLUSA's programs in Zambia and Mozambique to exchange lessons learned and develop strategies for future interventions in both countries. The meeting had four main objectives:

- To review the CLUSA Approach and its application to Zambia and Mozambique
- To exchange experiences and lessons learned among the three CLUSA programs
- To review strategies for the development of sustainable producer-owned marketing and processing businesses
- To examine the impact of HIV/AIDS on clients of our programs and develop strategies to respond.

Of the four objectives we will focus on two, Producer-owned Trading Company and HIV/AIDS.

Producer-Owned Trading Company (POTC)

CLUSA has experience and lessons learned in development of producer owned marketing companies in Central America (El Salvador and Nicaragua) and Indonesia. More recently CLUSA has been involved with the development of POTCs in East Timor.

The discussion was based on CLUSA's experience with 4 POTCs in four countries. From the 4 POTCs assisted, 2 started from scratch and 2 already existed when CLUSA began working with them. Three of the 4 POTCs had a cooperative structure and 1 was a limited shareholder company. Ownership of the POTCs was by cooperatives in two of the POTCs, El Salvador and Indonesia, a mixture of cooperatives and individual small holders in PROEXSAL in El Salvador, and small holders and management staff in the POTC in Nicaragua.

CLUSA involvement with the development of these POTCs began in 1980 in Indonesia, 1994 in El Salvador and 1998 in Nicaragua. The primary role of CLUSA in all the POTCs was primarily one of technical advisor and training. In all the POTCs, CLUSA provided some form of financial assistance. The role of the CLUSA expatriate advisor in decision making ranged from a limited role in El Salvador to a more direct role in Nicaragua and Indonesia. From the 4 POTCs, one (Nicaragua) had gone out of business, one was having trouble and two were working well. A direct correlation seemed to exist between the length of time of CLUSA's involvement and the success of the POTC. Also, critical was the involvement of the owners and their investment in the POTC.

For a POTC to be successful, it must be based on strong values such as democracy and transparency. A POTC must also have a strong commitment to increase farmer income. The POTC should also be business and service oriented and should be focused from its inception. When looking at structures and management it is important to pay serious attention to issues such as governance, ownership, management and staff, systems and procedures, and information.

Financing is one of the most critical elements in the development of a POTC. There are three types of capital that are important for POTCs: start up capital, operating capital and commercialization financing. Once a POTC is in business it must grow to compete. Some of the key elements to ensure POTC growth include: develop markets (national and international), ensure volumes and quality, negotiate contracts, invest in the business, and diversify products and services.

The approach CLUSA is trying to take in Africa, where farmer groups form Depot/Fora, and these form district associations and POTCs, adds a new level of complexity to business operations. The level at which a POTC will be operating is highly competitive and will require more complex financing and management. Systems and procedures will have to be more complex also.

The main issues that CLUSA needs to take into consideration to address more effectively the process of POTC development include:

1. Develop a program model and design for POTCs;
2. Establish a systematic and disciplined approach for POTC development;
3. Establish adequate level and length of interventions;
4. Ensure long term presence in country;
5. Develop a realistic strategy which responds to changing needs (more sophisticated needs of client coops) and not just an exit strategy that may not necessary respond to the long term needs of the rural group businesses

We then examined the steps that have been taken in the CLUSA/Zambia program to move toward a POTC. The session began with a brief introduction on the importance of farmers forming structures, which can ensure their position in the market. The CLUSA program in Zambia has already begun to look at the feasibility of such structures. CLUSA has already completed a feasibility analysis and initiated the business planning for a POTC in Chipata, Zambia. As part of testing the market, the project and the Rural Group Enterprises (RGE) have exported 1 container of groundnuts to fair trade markets in Europe. Processing and marketing of oil is also taking place with good results. According to the initial figures the profitability of these businesses is high. Additionally, one initial marketing strategy is to hold crop off market till price rises. Processing of sunflower and groundnuts is also being investigated.

Annex XI summarizes group discussions around some of the issues regarding POTCs.

HIV/AIDS

The information presented showed the seriousness of the situation regarding HIV/AIDS in Africa. For example, in the two countries where CLUSA is working in Southern Africa, Zambia and Mozambique, according to UNAIDS, 1 in 5 people in Zambia and 1 in 6 in Mozambique are HIV positive. In Botswana, where the disease is believed to be the most advanced in the world, 1 in 3 people are infected. It is expected that life expectancy in some of those countries will decline by as much as 20 to 25 years and the work force will be reduced by as much as 22 %. Crop production is expected to decline drastically as farming families have their labor reduced.



Presentation from small group session on approaches to dealing with HIV/AIDS, by CLUSA/Zambia staff.

Following this presentation a small discussion was carried out in which staff reported:

How is HIV/AIDS affecting our clients/staff?

In Zambia we see more funerals in our clients' villages. Member attendance at meetings is reduced due to absences to attend funerals. John Heermans reported 7 funerals in one day at a site he went to visit. Also members traditionally have to contribute to funeral costs of neighbors.

Client groups are losing leaders and managers. We are also losing facilitators. In our RGB Program we lost 2 facilitators and two are terminally ill. Credit Management Service reported that last year they lost two staff out of twenty. That represents the loss of 12 months of training. In addition they had to hire two replacement staff and train them. 3.8% of their clients died last year which represents 4.7% of their loans. George Allison reported that one group of 14 members took a loan but by the time of harvest, 4 members of the group had died.

Deaths, particularly of the main income providers in a family, leave the others to carry the burden. The stigma attached to the disease is still a factor in many villages; even family members will often disconnect from those who are ill leaving the care burden to only a few family members.

What are the main sources of the infection?

Increased access/mobility between urban and rural communities. Extension agents from NGOs and government, briefcase buyers and traders are transmitting the disease as they have money to

spend on sex. Teachers, police, soldiers, and others with money and mobility are also transmitters.

What is CLUSA doing about the situation?

AIDS training of staff in all three programs; making information available at depots along with male and female condoms in Zambia; workshops in Zambia run by local health NGOs held at depots and a local person selected and trained to be the reference/referral source for the community; training to empower women to better understand their rights; CMS provides free condoms to field staff on weekly basis; in their training program for their clients (borrowers) there is a training module on HIV/AIDS that is compulsory.

Following this small discussion, each project formed a group to analyze in more depth the situation of HIV/AIDS and develop strategies to mitigate HIV/AIDs among CLUSA clients and staff.

Strategies to Mitigate HIV/AIDS at the Client Level

Prevention Strategies

- Provide information and training by experts to clients and depot staff. Stress values of abstinence and one partner. Include spouses in training sessions.
- Adapt CLUSA training approach to include HIV/AIDS with farmers: farmers train other farmers and also train in their local community.
- Implement information dissemination and training through functional literacy centers. Train animators to continue work with communities
- Provide condoms to depots for sale or for free if NGO partner can provide. (If free, is that violating our operating principles related to sustainability?)
- Group exchanges - sharing of experiences at local level, particularly getting people who are HIV positive to come out and talk about their situation.

Strategies to deal with those already infected

- Local farmers to be trained in peer counseling by specialized groups.
- Develop savings programs to help cushion the cost of the disease among members.
- Encourage the development of additional food crops to serve as buffer to cover family food requirements.
- Household food security package for women: offer loan package that distinguishes what part goes to wife and what goes to husband.

Strategies to deal with those with full blown AIDs

- Encourage farmers to be trained for and play multiple roles in their group businesses so that when someone dies others can step in.
- Rural group businesses should allow wives to become member when husband dies
- Provide training in home-based care and help organize home-based care support and economic assistance groups

Other comments on clients:

- Provide business skills training to widows and orphans.
- George Allison mentioned that lots of organizations in Zambia are offering counseling and testing services. Problem is how to get people to take advantage of these services.
- Alex Serrano mentioned to get around the stigma problem, take an approach that does not target AIDS, but gets communities to look at general health issues. AIDS will eventually come out as an issue.

2. COST SHARE

We are including a summary of NCBA cost share for the CDP program. It is broadly divided into two parts, the cost share that runs through the NCBA books and is reported on SF 269, and the cost share accrued to the program, but not reported on SF 269.

COST SHARE	
1. Cost Share reported on SF 269	\$172,554
2. Cost Share provided by Partners ⁽¹⁾ Not reported on SF 269	\$149,895
Total Cost Share	\$322,444

(1) This represents staff time, vehicle usage, office space, supplies/materials, and financing provided by our partners for CDP activities

3. PIPELINE

NCBA CDP PIPELINE				
CDP Program	Current Budget	Actual Expenses as of 5/30/01	Anticipated Expenses 6/01-5/02	Pipeline as of 6/1/02
Focus Countries				
El Salvador	450,000	385,508	64,492	0
Indonesia	500,000	307,769	192,231	0
Mali ⁽¹⁾	675,136	359,728	185,426	129,982
Nicaragua	400,000	247,739	152,261	0
Nicaragua CRI	771,155	495,651	257,504	0
South Africa	726,577	25,292	321,995	379,290
Building Capacity	350,000	177,351	125,000	17,649
Indirect Costs	835,382	398,848	318,934	117,600
TOTAL	4,708,250	2,397,886	1,635,843	674,251

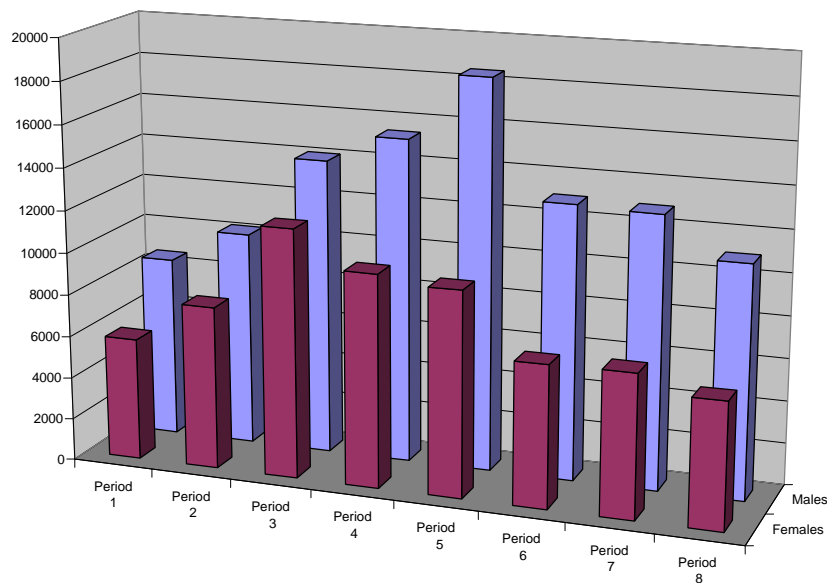
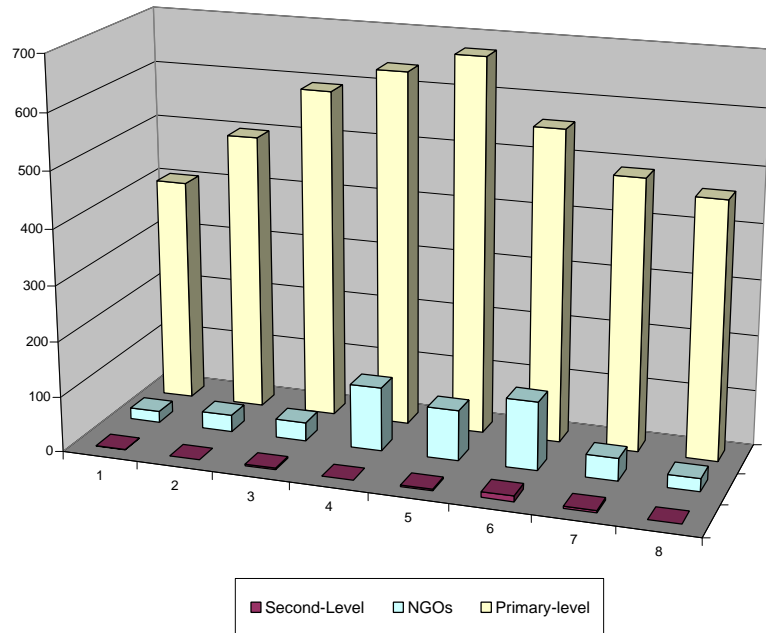
(1) Includes POSDEV expenses

4. SUMMARY OF NCBA CDP INDICATORS

Below we present some of the CDP indicators in graphic representation, showing the achievements by reporting period from the beginning of this CDP Program. We focus on four categories (1) Client Cooperatives and Groups, (2) Individual Members Served, and (3) Volume of Business. Reserves (or Accumulated Capital) is shown under the Highlights Section at the beginning of the report.

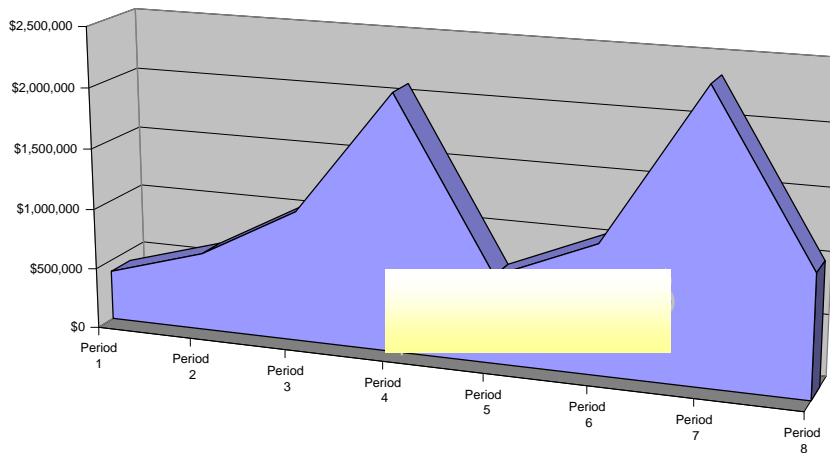
Clients Served by NCBA

Through the CDP – The chart at the left shows the three categories of clients served by NCBA through the CDP, primary-level cooperatives, NGOs and Civic groups that support cooperative development, and secondary-level (or higher level) cooperatives. The chart indicates the total number of clients the CDP program has worked with during each of the reporting periods (1-8)



Individual Members –

This chart shows the number of individual members of the client cooperatives and groups that are served by the CDP program during each of the reporting periods (1-8). Individuals are broken down by female and male members.



Dollar Volume of Business –

This chart shows the cumulative dollar volume of business done by CDP-assisted cooperatives in each of the reporting periods (1-8).

B. COOPERATIVE RESOURCES INTERNATIONAL (CRI)

Strengthening of International Capabilities for Cooperative Development by CRI- CRI has streamlined project reporting, shipping and accounting procedures. Staff has reported to the CRI Board on the Nicaragua project.

Involvement of Subgrantee's Staff and Resources Mobilized to Implement the Program- CRI provided 208 days of assistance to the project during the reporting period. Eight staff members of CRI were directly involved in providing technical and organizational assistance to the program. One staff members traveled to Nicaragua making three trips. CRI's Nicaraguan on site coordinator made one trip to Shawano, Wisconsin. Eight additional staff members assisted in semen order processing, packing, shipping and documentation. Three additional staff members assisted in billing, finance and expense reports. The following departments of CRI are directly or indirectly involved in the development of the project: International, Finance, Public Relations, Video Productions, AgSource Testing Laboratory, AgSource Dairy Herd Improvement Services, Technical Services, Billing, Shipping, Semen Production, Order Processing, Packing, Record Keeping, Computer, Mailing and Supplies.

Strengthening Subgrantee's Technical Capacity t o Implement Cooperative Development Activities Overseas- CRI has continued to work with the Nicaraguan cooperatives' personnel and farmer-members to generate accurate and timely information. The past reporting design was not conducive to market analysis and service structure analysis. The total inseminations should be reflected as a percentage of total regional cow population, which is the actual market base for sustainable post-project activities. Reporting is being modified to reflect market analysis (how big is the regional cow market and what per cent of it are the participating cooperatives covering;

what per cent of it can they expect to cover as they strive for more profitability and increased services to members and non-members?) This analysis becomes ever more important as CRI goes into the final phase of the subgrant and plans its eventual exit strategy.

The artificial insemination component of this development project is being reconstructed as a service and product department of the participating cooperatives as part of the project exit strategy. As noted above the cost structure has been revised in order to assist the cooperatives and producers to control costs and maximize the impact of expenditures. CRI has learned that working with and getting the local cooperatives to manage by using the data generated by impact analysis and cost analysis is the key to sustainable development projects. While producers have little impact in affecting market prices of agricultural commodities, their cooperatives and the producers themselves can and do control costs. CRI is working to assure that report and analytical information flows back to management to inform decision-making.

ANNEXES

CDP REPORT INDICATORS, PUSPETA LUWU, 1/1-5/31/'01				
Indicators	Baseline	Total Prior Period	Total This Period	Total June 1, '97-May 31,'01
A. Number of Clients (co-ops, producer associations, groups, etc)	0	2 cooperatives federation; 4 primary cooperatives	2 cooperatives federations; 4 primary cooperatives	2 cooperatives federations; 4 primary cooperatives
B. Number of Individual Members of Client Groups				
1) Male	0	2,620	2,620	2,620
2) Female	0	2,316	2,316	2,316
C. Grants/Contracts/ Business Agreements				
1) Number	0	104	30	134
2) Dollar Volume	0	\$4,073,263	\$835,089	\$4,908,352
D. Dollar Amount of Accumulated or Reserve Capital	0	\$648,000	\$113,000	\$761,000
E. Services to Members				
1. Current Services				
a. <u>Consumer Goods</u>		3	3	3
b. <u>Savings/Credit</u>		3	3	3
c. <u>Electricity</u>		2	2	2
d. Agric. Inputs		3	3	3
2. New Services				
a. <u>Coffee</u>		5	5	5
b. <u>Vanilla</u>		4	4	4

CDP REPORT INDICATORS, PROXSAL 1/1-5/31/01				
Indicators	Baseline	Total Prior Period	Total This Period	Total To Date
A. Number of Clients (co-ops, producer associations, groups, etc)	12 Members 5 non-member Groups	12 Members 43 new Groups	12 Members 1 new Group	12 Members 44 non member Groups
B. Number of Individual Members of Client Groups				
1) Male	3,872	4,804	30	4,834
2) Female	1,327	1,563	5	1,568
C. Grants/Contracts/ Business Agreements				
1) Number		10	2(CRS/Guat) &Ayuda en Accion/ES	12
2) Dollar Volume		\$1,012,300	\$13,000	\$1,025,300
D. Dollar Amount of Accumulated or Reserve Capital	\$25,000			\$25,000
E. Services to Members				
1. Current Services	Marketing & Market Investi- gation	Marketing & Market Investigation	Training in Pro- cessing & pack ing of vegetables & fruits	
a. _____				
b. _____				
c. _____	Technical Assis	Technical Assis		
d. _____	Organic Certifi.	Organic Certifi		
2. New Services		Marketing Training; Importing Products; Registering Members as Exporters	Production, Marketing and Export training	
a. _____				
b. _____				

CLUSA DE EL SALVADOR
CDP REPORT INDICATORS
1/1-5/31/2001

Indicators	Baseline	Total Prior Period	Total This Period	Total To Date
A. Number of Clients (co-ops, producer associations, groups, etc)	9- Coop. 2- Groups	12-Co-ops 2-Groups 2 Sec. Lev. Groups	0	12 - Co-ops. 2- Groups 2 Sec. Lev. Groups
B. Number of Individual Members of Client Groups				
1) Male	1,927	3,031	60	3,091
2) Female	377	662	15	677
C. Grants/Contracts/ Business Agreements	BID		PC/Hond.	
1) Number	1	12	1	13
2) Dollar Volume	\$ 700,000	\$1,383,682	\$1,582	\$1,385,264
D. Dollar Amount of Accumulated or Reserve Capital.	\$1,700	\$3,100	\$2,158	\$5,258
E. Services to Members	Technical assistance in ag. production & enterprise development	All services provided as at baseline.	Technical assistance in ag. production & enterprise development	Technical assistance in ag. production & enterprise development
1. Current Services				
a. Bus. Dev.				
b. Ag. Produc.				
& Organic Train.	Training in Cooperative principles		Training in Cooperative principles & organic production	Training in Cooperative principles
c. Coop Prin.				
Training				
d.				
2. New Services				
a. Access Credit	Training in accessing credit	Training in how to access credit	Training in how to access credit	Training in how to access credit
Training				
b. Marketing				
Trianing				Training in marketing

CDP REPORT INDICATORS, UNAG/NIC 1/1-5/31,2001				
Indicators	Baseline	Total Prior Period June 1 '97- Dec. 31, 00	Total This Period Jan. 1- May 31, '01	Total To Date 6/1/97-5/31/01
A. Number of Members (co-ops, individuals, unions and confederations of co-ops)	35,000 families	35,000 families	35,000 families	35,000 families
B. Organizational Indicators 1. Systemwide Account. System being used 2. Business Plan with bus./ income genera. focus in use			Being developed; Systemwide audit completed Developed & in use	Being developed; Systemwide audit completed Developed & in use
C. Grants/Contracts/ Business Agreements 1) Number Submitted 2) Number Approved 3) No. Being Implemented 4) Dollar Volume			38 approx. \$3 million	38 approx. \$3 million
D. Dollar Amount of Disposable Funds				
E. Services to Members 1. Current Services a. Project Imple./Adm. b. Training c. Bus/Org. Dev./Strat. Plan. d. Policy/Promo.			38	38
F. Business Dev. Unit (BDU), AGRONEGSA 1. Co-ops, Groups, Individuals				
F.2. Total Individual Clients a) Male b) Female			185 79	185 79
F.3. Sales Agreements Signed a) Number b) \$ Volume			9 \$16,650	9 \$16,650
F.4. Sustainability Ratio (Operations surplus minus external support)				

CDP REPORT INDICATORS, A.CO.D., MALI, 1/1-5/31/'01				
Indicators	Baseline, 5/31/97	Total June1, '97 Dec. 31, 2000	Total Jan. 1- May 31, 2001	Total June 1, '97- May 31, '01
A. Number of Clients (co-ops, producer associations, groups, etc)				
Rural enterprises	269	426	26	452
Health center mgt. comm.	0	44	14	48
Microfinance/NGO projects	0	10	3	11
Others	0	2	0	2
B. Number of Individual Members of Client Groups				
1) Male	1,180	1,594	123	1,717
2) Female	406	589	45	634
C. Grants/Contracts/ Business Agreements				
1) Number	4	22	5	29
2) Dollar Volume		\$375,254	\$78,394 (685 cfa =US \$1)	\$453,648
D. Dollar Amount of Accumulated or Reserve Capital	\$4,692	\$26,464	\$21,898	\$48,362
E. Services to Members				
1. Current Services				
a. <u>Training</u>	475	1,256	45	1,301
b. <u>Bus/Org Dev. /Strat Plan. Eval.</u>		2	65	67
c. Administration		2	382	384
d. Policy/Promotion		1		1

CDP REPORT INDICATORS, G.FORCE, MALI, 1/1-5/31'01				
Indicators	Baseline 5/31/97	Total June 1, '97 Dec. 31, 2000	Total Jan 1- May 31, '01	Total June1 '97- May 31, '01
A. Number of Clients (co-ops, producer associations, groups, etc)				
Rural enterprises				
Health center mgt. com.	66	266	9	275
Parents groups		35	0	35
NGO projects		17	0	17
Others	4	5	0	5
	1	1	0	1
B. Number of Individual Members of Client Groups				
1) Male		2,517	13	2,530
2) Female		2416	407	2,823
C. Grants/Contracts/ Business Agreements				
1) Number		11	2	13
2) Dollar Volume Protocols	\$4,239 (585 cfa = 1US\$)	\$139,927	\$25,114 (685 cfa = US 1\$)	\$165,041
D. Dollar Amount of Accumulated or Reserve Capital		\$37,585	\$683 (685 cfa = \$1US)	\$38,268
E. Services to Members Current services	Nothing listed in Section E.			
a. Training			1	1
b. Bus/Org Dev./ Strat. Plan./ Evaluation			1	1
c. Adminstration			1	1
d. Policy/Promotion				

CDP REPORT INDICATORS, INAGEF, MALI, 1/1-5/31/'01				
Indicators	Baseline	Total June 1 '97 Dec. 31, 2000	Total Jan. 1- May 31, 2001	Total June 1, '97- May 31, '01
A. Number of Clients (co-ops, producer associations, groups, etc)	none			
Rural enterprises		76	1	77
Health center mgt. comm.		7	0	7
Parents groups		33	0	33
NGOs/projects		0	0	0
Community Councils		23	2	25
Microfinance		1	1	2
B. Number of Individual Members of Client Groups				
1) Male	none	6,124	3,236	9,360
2) Female		8,648	335	8,983
C. Grants/Contracts/ Business Agreements				
1) Number	none	15	3	18
2) Dollar Volume	none	\$78,681	\$7,451 (714 cfa = \$1US)	\$86,132
D. Dollar Amount of Accumulated or Reserve Capital	none	\$16,611	0	\$16,611
E. Services to Members				
1. Current Services				
a. <u>Training</u>				
b. <u>Bus/Org Dev./ Strat.</u>				
<u>Plan/Eval.</u>		1	0	1
c. <u>Administration</u>		31	0	31
d. <u>Policy/Promotion</u>				

CDP REPORT INDICATORS, SABA, MALI, 1/1-5/31/'01				
Indicators	Baseline	Total June 1, '97- Dec.. 31, '00	Total Jan.1- May. 31, 2001	Total June 1,'97- May 31, '01
A. Number of Clients (co-ops, producer associations, groups, etc)				
Rural Enterprises	66	259	7	266
Health center mgt. comm.	0	33	2	35
Non-govt. organizations	2	3	0	3
Community orgs. (villages)		98	1	99
CRU (Regional Commiss.)		18	0	18
Relig. assoc/health			1	1
B. Number of Individual Members of Client Groups				
1) Male	4,663	20,234	217	20,451
2) Female	4,542	8,630	63	8,693
C. Grants/Contracts/ Business Agreements				
1) Number	3	21	2	23
2) Dollar Volume	\$85,405 (500cfa= 1US\$)	\$801,167	\$19,933 (685 cfa = \$1 US)	\$821,100 (685 cfa = \$1US)
D. Dollar Amount of Accumulated or Reserve Capital	\$1,109(500 cfa = 1\$US)	\$65,700	\$2,090	\$67,790 (685 CFA = \$1US)
E. Services to Members		.		
1. Current Services				
a. <u>Training/Manage.</u>	53		47	379
b. <u>Bus.Org.Dev./Strat</u>				
<u>Plan./Eval.</u>	2		4	8
3. <u>Administration</u>	1		1	2
4. <u>Policy/Promotion</u>				1

CDP REPORT INDICATORS, POSDEV, 1/1-5/31/01				
Indicators	Baseline	Total Prior Period	Total This Period	Total To Date
A. Organizational Indicators – by-laws, operating procedures, policies, systems, accounting procedures in place.		NGO registration completed; bank account/work plan/by-laws/mission statement/oper. procedures/policies established. Secretariat operational. Computerized acc. sys. in place; compensa. sys. defined 3 yr growth benchmarks developed; midterm eval done	Exec. Committee approval of policy guidelines and review of 2001 benchmarks (strategic planning session).	NGO registration completed; all policies & procedures in place; Coordinator in place. NCBA/POSDEV sub-agreement signed. Consolidation of POSDEV as an institution.
B. Number of Affiliated Organizations		13 indigenous cooperative development organizations and NGOs	0	13 indigenous cooperative development organizations and NGOs
C. Number of Clients (ICDOs, co-ops, producer associations, groups, etc.)		All clients of 13 member organizations	Clients of 13 member organizations	Clients of 13 member organizations and other national NGOs
D. Grants/Contracts/ Business Agreements 1) Number Submitted 2) Number Approved 3) Dollar Volume		12	4	16
		5	3 pending (EU & IFAD)	5
		\$130,000		\$130,000 (approved contracts only)
E. Dollar Amount of Accumulated or Reserve Capital		\$18,574	\$1,705	\$20,279
F. Services to Clients 1. <u>Training</u> 2. Exper. /Info.Exchange 3. Tech. Assis/Advice 4. Bus/Member Promotion		3 8 114	0 1 2	
G. Services to Donors 1. Project Implementation 2. Coordinating Regional Programs 3. Prov. Human Resources		4		4

CDP REPORT INDICATORS, CRI, 1/1-5/31 '01				
Indicators	Baseline	Total Prior Period	Total This Period	Total June 1, '97-May, 31, '01
A. Number of Clients (co-ops, producer associations, groups, etc)	1	3	0	2 (2 co-ops merged)
B. Number of Individual Members of Client Groups				
1) Male	98	143	0	143
2) Female	12	18	4	22
C. Training				
1) number and type of sessions: artificial insemination & nutrition	0	11	3	14
2) number of participants				
a. male	0	132	74	206
b. female	0	16	12	28
D. Herd Improvement				
1) Amount of semen provided	0	8,178 units	1,700	9,878 units
2) Number of cows inseminated	0	6,938 cows	1,509 cows	8,447 cows
3) Number of calves born	0	2,510 calves	579 calves	3,089 calves
E. Co-op Services to Members				
1. Current Services				
a. <u>Insemination</u>				
b. <u>Palpation</u>				
c. <u>Reproduction</u>				
d. <u>Heat Detection</u>				
2. New Services				
a. Concentrates				
b. Forage Analysis				
c. Nutrition				
d. Production Analysis				
F. Economic Indicators				
1) Income to participants thru increased milk produc.				
2) Cost Recovery				
a) Dollar amount of costs for service recovered by co-ops	0	\$3.00/unit \$20,814	\$3.60/unit* \$5,423	\$3.60/unit \$26,237

CDP REPORT INDICATORS, CRI, 1/1-5/31 '01

Indicators	Baseline	Total Prior Period	Total This Period	Total June 1, '97-May, 31, '01
b) Percent of farmers paying for services received	0	100%	100%	100%
3) Credit				
a) number of loans		3	0	3
b) dollar volume		\$38,244	0	\$38,244
d) percent repaid		72%	14.6%	86.6%

*The cost of service for this period reflects payments for semen delivered (sold to members) prior to Jan. 1, 2000. Thus the \$3.00 per unit cost applies. The new \$3.60 per unit cost applies only to semen delivered after Jan. 1, 2000.

Annex XI

Following the various presentations on CLUSA experience with POTC development, the panel with traders and visits to the field, four groups were formed to discuss in more depth issues related to the development of the POTCs. Presentations and discussion followed group discussions.

Group 1 - Values and Approach

1. When should the process of developing producer trading companies start in a project? What are the advantages and disadvantages ?

Whenever possible, the process should start from the design phase.

Advantages:	Disadvantages:
<ul style="list-style-type: none">● promotes client ownership early.● strengthens our position on sustainability.● clarifies with businesses our position from beginning.	<ul style="list-style-type: none">● it may not fit into five-year horizon.● sensitive to environment – can it be done?● It may scare off donor.● could be unfair to private businesses.● donor may not be concerned with equity as we are.

2. What are the main steps to set up a POTC ?

- If CLUSA is involved in the process CLUSA Board involvement needs to be built into process.
- Also, CLUSA guidelines as to when company should go forward should be developed.
- Maybe just deal with established traders however what is going to guarantee that the businesses will deliver the goods to members?
- How to solicit and use input from members?
- How to make sure members understand the process?
- What are the conditions required for the development of a POTC?
- Criteria to move from one phase to another.
- Criteria for which model – marketing/brokering – trading --- processing.

3. What should be the role of CLUSA throughout this process ?

- Proactive vs. responsive
- Advisor vs. decision maker
- Direct vs. indirect role (plant local staff to manage)
- Investor : Transfer of project assets; NCBA funds (CBI risk capital); locate other investors; locate appropriate TA for company.
- Facilitate buyers through NCBA membership

4. What should CLUSA do if company begins to drift away from values?

- In trust situation – 51% of shares - program coordinator corrects the course.
- When 51 % shared among other trustees, ability for CLUSA to intervene becomes dissipated.

5. When program closes, should CLUSA keep role on the Board?

- Appoint people or organization to board.
- How do you translate 51% to votes on board?

VALUES	
<ul style="list-style-type: none"> Some values may need to be suspended at tertiary level. One member one vote to proportional voting. Capital structure changed. 	<ul style="list-style-type: none"> Maintain member control and patronage refund. Governance needs attention.

Group 2 - Legal Structure and Ownership

1. What should be the criteria for the selection of the legal structure?

Alternative forms of organization	
<ul style="list-style-type: none"> Operate as a coop 	
<ul style="list-style-type: none"> Operate as a Limited Liability Company: <ul style="list-style-type: none"> Capital + Registry less expensive + No direct ties with govt. 0 Tax liability - Zambia; only 50 shareholders - Tend to have better management + 	<ul style="list-style-type: none"> Operate as an Association <ul style="list-style-type: none"> Capital - Register - Taxes + <p>(+ advantage; - disadvantage; 0 neutral)</p>

Criteria:	Ownership:
<ul style="list-style-type: none"> Benefits to members Participation in management 	<ul style="list-style-type: none"> Paid up members – out if go into default Members = associations Moz– 2nd tier Zam – 3rd tier Trust with CLUSA control. How long should CLUSA be involved in the POTC - Length of program ! Financial capability of company - When will the company be able to sustain itself ? What is the Washington legal ramifications of having CLUSA involved ? Derek – In Zambia we can register as a coop, ltd. How to exclude members in a limited liability company ? they will get their profits based on patronage refund.

Group 3 - Financing and Sustainability

1. How to finance the POTC

Start up costs:	Operating capital:	Commercialization (input and output) financing:
<ul style="list-style-type: none"> Registration costs – members. Need to source donors for assistance for initial staffing, 	<ul style="list-style-type: none"> Donors – grants. Farmers can pay part through contributions from sales 	<ul style="list-style-type: none"> Donors Commercial Farmers investment

Start up costs:	Operating capital:	Commercialization (input and output) financing:
equipment.	(discounted at the time of the sale of farmer's crops). <ul style="list-style-type: none"> ● Supplier loans – access inputs or credit from companies or banks. 	

2. What are the main issues around using program assets to capitalize the POTC ? What are the advantages and disadvantages ?

Advantages:	Disadvantages:
<ul style="list-style-type: none"> ● Lots of capital to achieve scale immediately ● Donors can advocate with government if there are problems ● Quick results and attract members ● Training in human resource from donor funds ● Sometimes money (project loan funds) from program can be left with POTC after the project closes 	<ul style="list-style-type: none"> ● Lack of ownership by members ● Dependency ● Donors influence decisions ● Misuse for donor funds – stray away from org mission ● Donors setting unrealistic goals for company ● Try to go too fast ● Lack of sustainability

Group 4 - Governance and Management

1. What should be the composition of the governance body ?

Board of directors:	
<ul style="list-style-type: none"> ● Producers – from 3rd level ● Possibly the manager ● CLUSA representative 	<ul style="list-style-type: none"> ● Financing organization ● Agribusinesses ● Other advisors as needed (not shareholders)

2. How to ensure that the board , while doing its job, does not interfere with daily management ?

<ul style="list-style-type: none"> ● Have a clear definition of roles/responsibilities – board and management 	<ul style="list-style-type: none"> ● Outside monitoring/audit
<ul style="list-style-type: none"> ● Have a clear strategic plan: <ul style="list-style-type: none"> - Vision - Mission - Strategic business lines - Operational principles 	<ul style="list-style-type: none"> ● Hold regular meetings between the board and management: <ul style="list-style-type: none"> - Review plans - Problem solving - Feedback
<ul style="list-style-type: none"> ● Training for board members in their roles 	

3. Advantages and disadvantages of CLUSA seating on the board ?

Advantages :	Disadvantages:
<ul style="list-style-type: none"> ● CLUSA has deeper understanding of activities ● influence decision making 	<ul style="list-style-type: none"> ● fostering dependence on CLUSA ● can jeopardize sustainability

Advantages :	Disadvantages:
<ul style="list-style-type: none"> ● play advisory role ● responding to needs in more efficient manner ● provide access to info from outside country ● linkage to other coops around world 	<ul style="list-style-type: none"> ● credibility of CLUSA at stake – if problems come up ● difficult to exit ● means they would have to stay long term and that is costly to CLUSA

4. How to guarantee good management in the POTC ?

<ul style="list-style-type: none"> ● Good recruitment policy ● Get top notch manager – professional ● Regular evaluation of manager – performance ● Good incentives to keep manager 	<ul style="list-style-type: none"> ● External audits ● Good staff and advisors ● Share in profits ● Compensation linked with profitability ● Retraining of managers
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5. What role should CLUSA play in management?

- advisory – overall management
- watchdog
- training
- promoting best management practices – values

Group 5 - Market Linkages

1. What should CLUSA's role be in linking producers to markets ?

<ul style="list-style-type: none"> ● Identifying corps – organic, prices, buyers ● Sharing experiences across countries ● Exploring potential for business – processing ● Negotiate on behalf of clients ● Training the clients on sourcing markets and negotiations 	<ul style="list-style-type: none"> ● CLUSA make contracts between producer and traders but that function is turned over to producers later ● Training farmers to write contracts ● Train producers in bookkeeping/record keeping ● Train in marketing
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2. What are the pros and cons of a CLUSA direct role in marketing ?

Pros:	Cons:
<ul style="list-style-type: none"> ● better contact with traders ● more confidence ● location (cap city) ● more control ● quicker ● higher level of trust ● more experience 	<ul style="list-style-type: none"> ● conflict with CLUSA values ● requires more time/experience/money ● not sustainable ● creates mistrust ● CLUSA caught in middle if there are problems

3. What are the pros and cons of CLUSA playing a brokering role?

Pros:	Cons:
<ul style="list-style-type: none"> • more in line with CLUSA values • producers see the reality • traders and producers develop/foster relationship • CLUSA puts in fewer resources • farmers are less suspicious of CLUSA 	<ul style="list-style-type: none"> • less confidence between traders and producers • process might take longer

4. What are the advantages and disadvantages of setting up a POTC?

Advantages:	Disadvantages:
<ul style="list-style-type: none"> • farmer managed • producer owned • (inline with values) • increases local skill capacity • increased benefits to producer • provides services/products locally – returns to community – and cheaply 	<ul style="list-style-type: none"> • takes time and complex • politicians may come in • members may hijack process • high risk • very competitive environment

5. What are the advantages and disadvantages in setting up a brokering firm with trader involvement?

Advantages:	Disadvantages:
<ul style="list-style-type: none"> • less complicated • less outside interference • less investment • build trust because members see what is going on • foster integration with private sector 	<ul style="list-style-type: none"> • low sense of ownership • does not build capacity • pressure on CLUSA

6. How to improve relations with traders?

Increase the volumes and improve the quality of products sold.